

# Quarterly Report Number 12 (January - March 2004)

Contract Number 527-C-00-01-00091-00  
Colombia Alternative Development Project

Strategic Objective: Promote Economic and Social Alternatives to Illicit Crop  
Production



Submitted to:  
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30 April, 2004

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SECTION I.	Background	4
	Exhibit A - Results Framework	4
SECTION II.	Significant Accomplishments During the Quarter	5
SECTION III.	Progress on CAD Indicators	6
	Exhibit III-A	6
A.	<i>Progress towards So-2 Goals</i>	7
	Exhibit III-B	7
SECTION IV.	Accomplishments By Intermediate Results	10
A.	<i>Strengthened National and Local Institutions</i>	10
A1.	Activities/significant accomplishments during the quarter:	10
A2.	Obstacles encountered and overcome:	11
A3.	Activities planned for the next reporting period:	11
B.	<i>Expanded Rural Social Infrastructure</i>	11
B1.	Activities/significant accomplishments during the quarter	11
B2.	Obstacles encountered and overcome	12
B3.	Activities planned for the next reporting period	12
C.	<i>Expanded Licit Economic Opportunities</i>	13
C1.	Activities/significant accomplishments during the quarter	13
C2.	Obstacles encountered and overcome	18
C3.	Activities planned for the next reporting period	19
D.	<i>Natural Resources and Environment</i>	21
D1.	Activities/significant accomplishments during the quarter	21
D3.	Activities planned for the next reporting period	23
E.	<i>Monitoring and Evaluation</i>	23
E1.	Activities/significant accomplishments during the quarter	23
E2.	Obstacles encountered and overcome	24
E3.	Activities planned for the next reporting period	25
SECTION V.	Program Management and Support Activities	26
A.	<i>Key constraints and concerns</i>	26
A1.	Security Situation	26
B.	<i>New CAD personnel this Quarter</i>	26
C.	<i>Contract modifications, amendments and reporting</i>	26
SECTION VI.	Grants Management	27
A.	<i>Grants</i>	27
A1.	Activities/significant accomplishments during the quarter	27
1.	Grant awards during the reporting period:	27
A2.	Obstacles encountered and overcome	27
A3.	Activities planned for the next reporting period	27
A4.	Training during the quarter, and explanation of activities	27
A5.	Request for Proposals	27

B1.	Grant Disbursements by Quarter	28
B2.	Disbursements (Dollars)	28
SECTION VII. Financial Information		29
A. Contract Expenditures by CLIN		29
B. Differences between disbursements and FLOC draw-downs		29
C. Allocation of FLOC drawn downs by CLIN		30

## Quarterly Report Number 12 (January- March 2004)

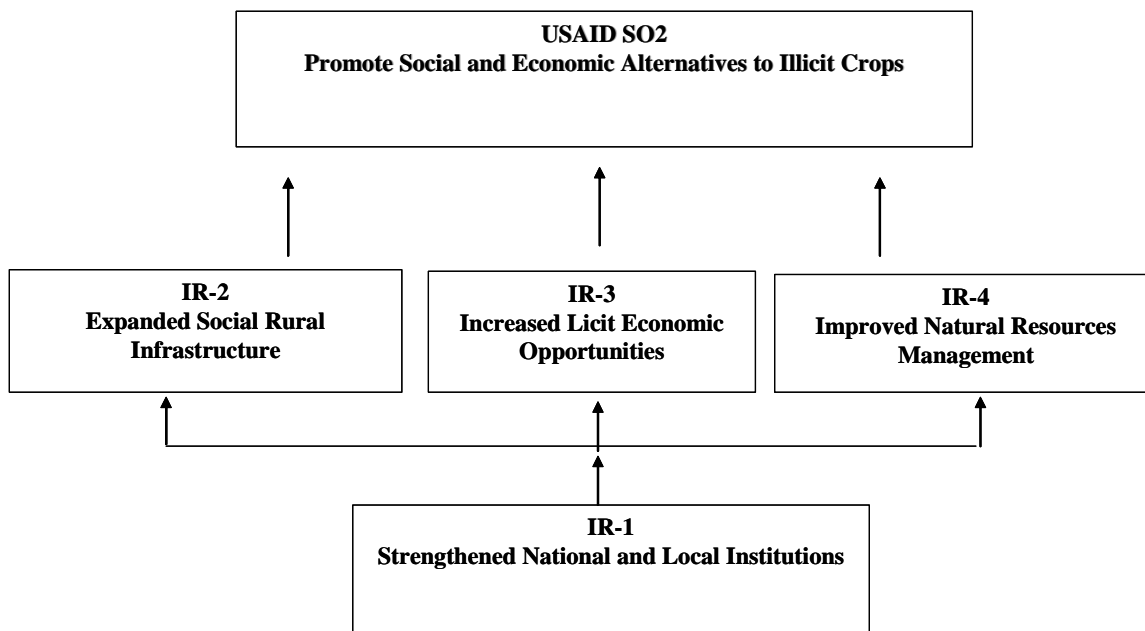
### SECTION I. Background

The purpose of the Colombia Alternative Development Project (CAD) is to assist the United States Agency for International Development (USAID) and the Government of Colombia (GOC) to mount a vigorous campaign to significantly contribute to the reduction of the production of illicit crops by farmers in the departments of Putumayo, Caquetá, Sur de Bolivar and Norte de Santander, and poppy in the departments of Cauca, Nariño, Huila and Tolima. This is to be achieved through the development and provision of alternative licit economic opportunities to farmers and, when interdiction and aerial spraying are coordinated, will result over time in the abandonment of illicit crop cultivation and refusal by farmers to plant new areas in coca and poppy. Under the terms of the contract, Chemonics provides grants and subcontracts to NGOs, community and agricultural associations, municipalities and private enterprises to support the development of licit economic alternatives.

The contract was signed on March 30, 2001 and the Chemonics core team arrived in country on May 15 of the same year. On September 29, 2001, the RAISE (Rural and Agricultural Incomes with a Sustainable Environment) Task Order and the Colombia Alternative Development Project were merged, forming one unified project addressing coca and poppy production

Project support is divided into four intermediate results in support of USAID's **Strategic Objective (SO) 2** as shown in exhibit A.

#### Exhibit A - Results Framework



## **SECTION II. Significant Accomplishments During the Quarter**

Putumayo New Economic Initiatives: Significant accomplishments were made in the construction of the Agroindustrial Centers in Putumayo and Cauca and in the development of the various agroindustrial plants that will operate in the centers. All plants are expected to be fully operational during the next quarter. These initiatives, backed by private sector operators and investment, will, over time, become major elements of the post-coca economic structure of Putumayo.

Intermediate Results Indicators: During the reporting period CAD surpassed all primary results indicators, hectares eradicated, families benefited and licit hectares supported, under the contract with USAID.

Environmental Compliance: CAD received approval from USAID BEO (Bureau Environmental Officer) for Phases I and II of the Pesticide Evaluation Reports and Safe Use Action Plan (PERSUAP) for CAD projects. These approvals complete the analysis of the pesticides for all crops currently financed by USAID through the CAD program, and bring these projects into compliance with USAID's Regulation 216.

Monitoring and Evaluation: The data compiled under the Putumayo Social Capital Survey was processed and analyzed during the quarter and the final reports will be distributed during the coming quarter. The SIMONE (Sistema de Monitoreo y Evaluación) system continued to be upgraded, with two new modules added to the system during the quarter - a New Initiatives module as well as one for environmental compliance. Information compilation segregated by gender was also begun during the quarter.

Audits: Annual external audits for the nine Grant Agreements under PILDAET (*Programa de Iniciativas Locales de Desarrollo Alternativo para la Erradicación Temprana*) and *Raíz por Raíz* were completed during the quarter, and a formal presentation of the audit findings will be held during the next reporting period.

Rural Infrastructure: Gerpromayo finished all social infrastructure projects under their contract, leaving only the Agroindustrial Centers' works to be completed. Significant progress was made on the infrastructure and construction of the centers, and will be fully completed early next quarter.

Expenditures: Total expenditures during the quarter were US\$5.6 million

"Ruedas de Negocios": Four investor roundtables were held in Putumayo during the reporting period in order to attract private, local investors for the Putumayo animal feed concentrates enterprise. More than 500 potential investors attended these meetings, of which 70 percent were investors affiliated with the local Chambers of Commerce, and the remainder were CAD project beneficiaries. Topics covered during the round tables included the marketing and production strategies of *Concentrados Putumayo S.A.*, as well as actions taken to-date for the establishment of the businesses. Private investor interest was high, and many participants indicated a desire to buy shares as soon as they are made available.

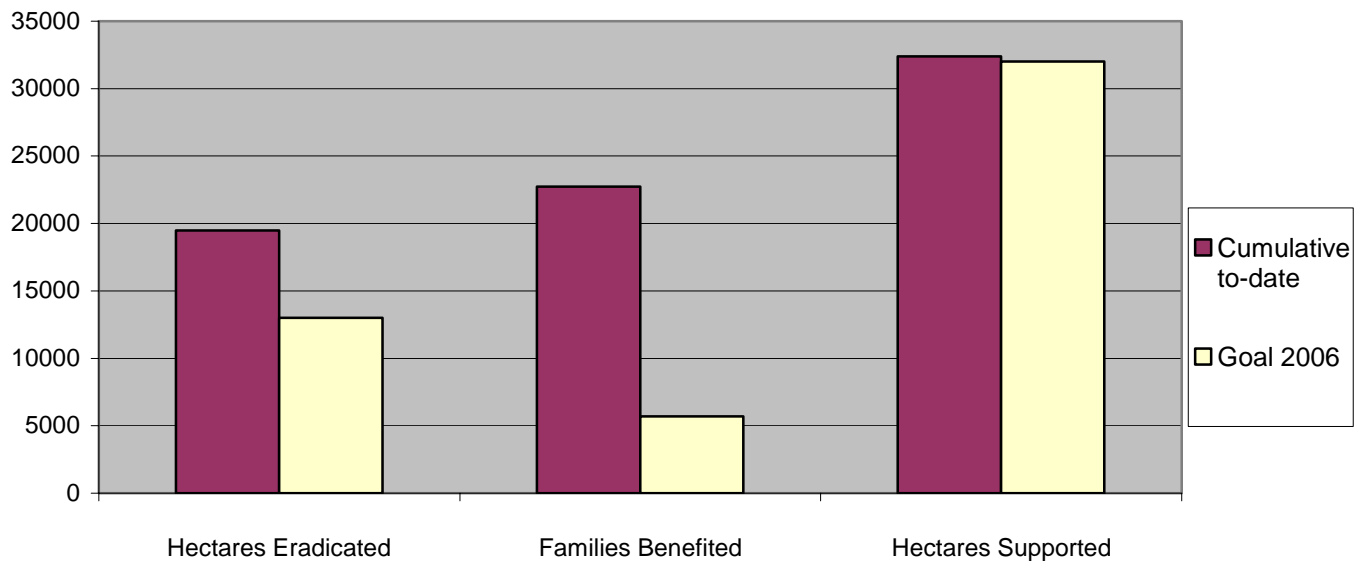
### SECTION III. Progress on CAD Indicators

All contractual primary indicators have now been surpassed.

- The number of hectares eradicated this quarter (123) increased this indicator over the contract goal by 49 percent to a total of 19,475 hectares.
- The number of families benefited during this quarter increased by 136, raising the cumulative total to 22,739 families. This exceeds by 298 percent the contract goal of 5,700 families.
- The number of additional hectares (1,061 hectares) of licit crops supported this quarter raises the cumulative total area to 32,393 hectares, exceeding the contract goal by 393 hectares.

#### Exhibit III-A

#### ALLTHREE LOP GOALS EXCEEDED (Life of Project) Indicators - SO-2



It is significant that the number of hectares supported continues to exceed the number of hectares eradicated; this demonstrates that alternative development is not simply one-for-one crop substitution program. Because of the relatively high returns to illicit crops, alternative crops, with lower returns, must significantly increase the area under licit crop production in order to be attractive.

**Eradication this quarter totaled 123 hectares, to a total of 19,475 hectares eradicated**

- In total, 87 hectares were eradicated under the PILDAET program in Putumayo, 7 under the Rubber project in Caquetá, and 29 under the Heart of Palm project in Putumayo.

**The number of families benefiting directly from CAD project activities increased by 136 families during the quarter to a total of 22,739 families benefited.**

- Under the PILDAET program in Putumayo 99 additional families were benefited during the quarter, 14 under the *Raíz por Raíz* program, 20 under the Caquetá rubber project and three under the Norte de Santander cacao project.

**Licit Area supported by the project increased by 1,061 hectares to a total of 32,393 licit hectares supported to date**

- The projects listed below resulted in an increment of 1,061 licit hectares supported, as follows:
  - Rubber (Caquetá), 199 hectares
  - Rubber (Putumayo), 11 hectares
  - *Raíz por Raíz*, 53 hectares
  - PILDAET, 144 hectares
  - *Bosques y Maderas*, 540 hectares (under plantations/agroforestry)
  - African Palm (Norte de Santander), 114 hectares

## A. Progress towards So-2 Goals<sup>1</sup>

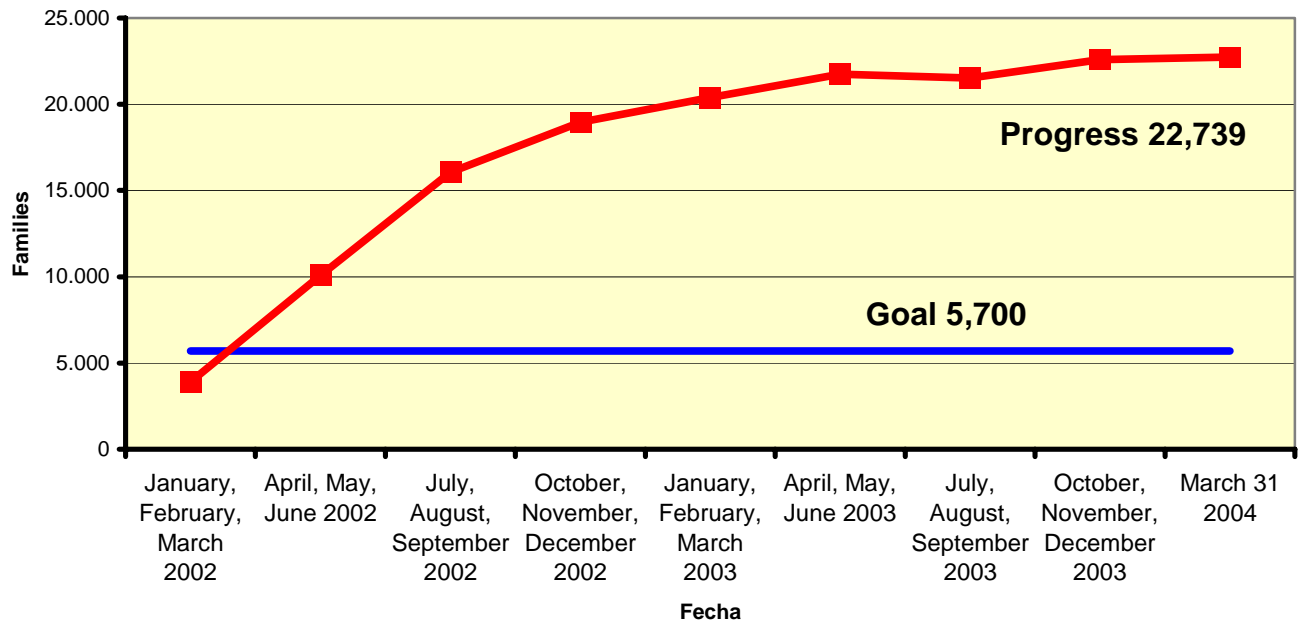
The following tables show the details of the SO-2 described in the previous sections of this report.

### Exhibit III-B

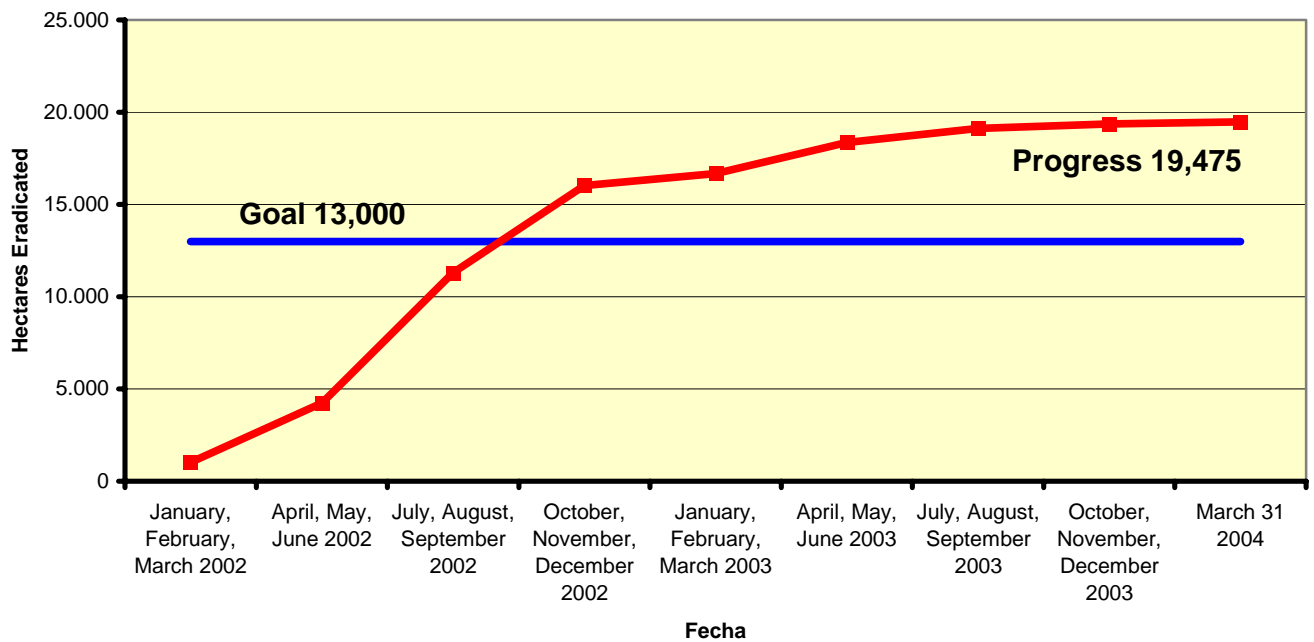
SO2 Indicator		Quarter Jan-Mar 2004	Cumulative 31 March 2004	Contractual Goals
Families Benefited	Poppy	0	2,732	5,700
	Coca	136	20,007	
	<b>Total</b>	<b>136</b>	<b>22,739</b>	
Hectares Eradicated	Poppy	0	1,208	13,000
	Coca	123	18,267	
	<b>Total</b>	<b>123</b>	<b>19,475</b>	
Hectares Licit Crops Supported	Poppy	0	3,206	32,000
	Coca	1,061	29,187	
	<b>Total</b>	<b>1,061</b>	<b>32,393</b>	

<sup>1</sup> As per p. 8, Section B of the USAID Contract with Chemonics

## Families Benefited

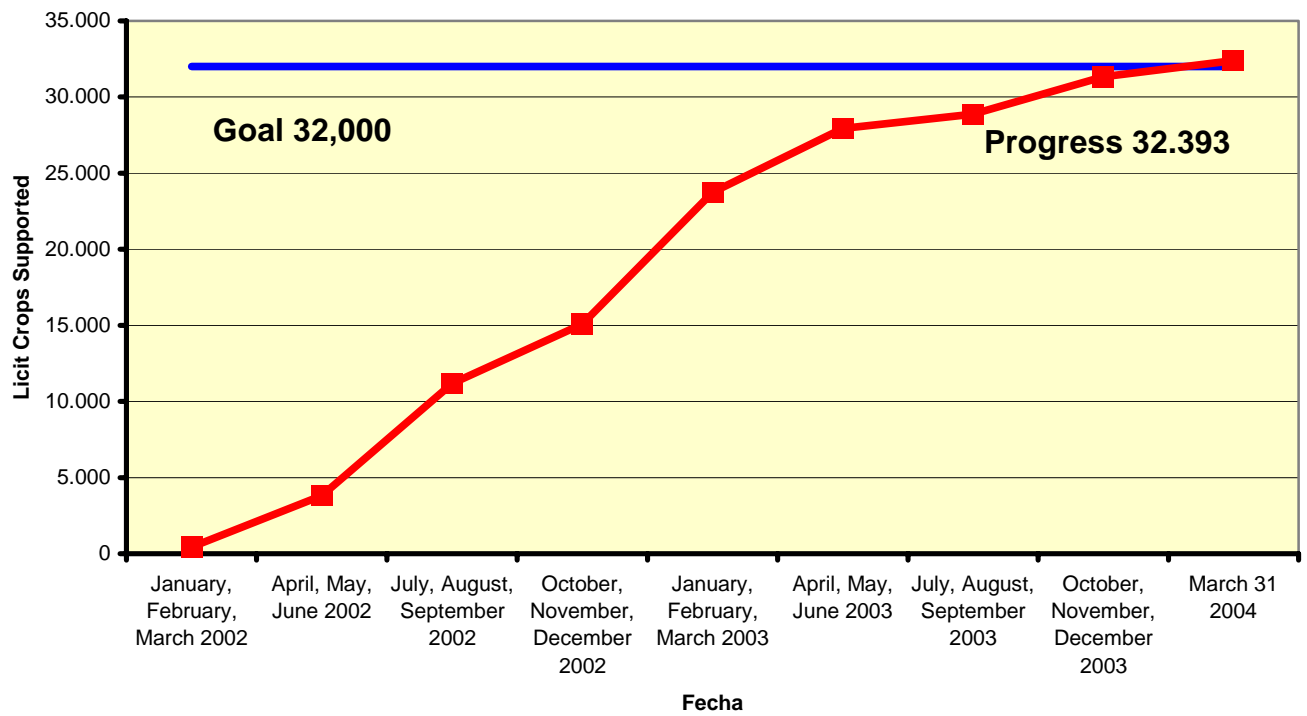


## Hectares Eradicated





## Licit Crops Supported



## **SECTION IV. Accomplishments By Intermediate Results**

### **A. Strengthened National and Local Institutions**

#### **A1. Activities/significant accomplishments during the quarter:**

##### Social Capital Survey Completed

During the quarter, CAD finished the analysis of the Putumayo Social Capital Survey, in which 1,672 households (1,409 CAD families, 263 non-CAD families) were surveyed on the changes in their lives as they move towards a licit economy. The questionnaire was based upon previous social capital work in Colombia by the World Bank.

##### Support to the Maracuyá Project - Huila

As continued support to FUNDAMAR (Fundación de Maracuyeros del Huila) and the passion fruit producers, the organization CORDESARROLLO (Corporación para el Desarrollo Rural y Urbano de Colombia) carried out a comprehensive survey, visiting all of the 356 maracuyá farmers. The purpose of the census was to directly determine the state of each crop, and to gauge growers' perspective on the evolution and satisfaction with the project, their relationship with project partners (FUNDAMAR, FUNDASET – *Fundación para el Desarrollo Agrícola, Social y Técnico*, FINAGRO – *Fondo para el Financiamiento del Sector Agropecuario*, etc.) as well as to evaluate the use of their bank credits. Results of this activity will be presented during the next reporting period, and will help determine future activities under this project.

##### Community "Rendición Públicas de Cuentas"

In order to show transparency with communities where CAD projects are working, operating NGOs continued conducting "Rendiciones Públicas the Cuentas". These meetings, attended by members of the beneficiary communities, regional and local authorities, community oversight committees and community leaders give attendees the opportunity to hear from the NGOs and the community leaders on the status of CAD projects. The NGOs also provide detailed accounts of where project funds have been invested, allowing the community to see and discuss project expenditures and giving the communities assurance that project funds are being well spent.

##### Institutional Support to PDA (Government of Colombia's Plan de Desarrollo Nacional)

Payment to three PDA contractors continued as part of institutional strengthening efforts provided by the project to PDA, and USAID has instructed CAD to continue with this funding through August 2004. PDA staff supported consists of two contractors providing illicit crop pricing information, and one contractor providing assistance to PDA in alternative development planning.

**A2. Obstacles encountered and overcome:**

No activities reported during the quarter.

**A3. Activities planned for the next reporting period:**

- Institutional strengthening provided to PDA through payments to three contract staff will continue during the next quarter.
- Incubadora de Antioquia and CORDESARROLLO support to the Huila Maracuyá project will continue, and CAD will continue to work with USAID, PDA, the Banco Agrario and FINAGRO in order to find mutually acceptable solutions to the repayment of loans and to determine what future assistance will be given to the maracuyá growers.

**B. Expanded Rural Social Infrastructure**

**B1. Activities/significant accomplishments during the quarter**

Gerpromayo infrastructure contract

During the reporting period, Gerpromayo activities were centered on completing the construction of the Agroindustrial Centers in Orito and Villagarzón. In order to complete the Centers, the Gerpromayo contract received a no-cost extension until April 20, 2004.

Construction activities in the Villagarzón Center are 95 percent completed, and 98 percent completed in the Orito Center. The installation of the industrial machinery of the enterprises that will operate in the Centers was also nearly completed during the reporting period

Manual labor generated under the Gerpromayo contract during the reporting period amounted to 4,280 "jornales", corresponding to a cumulative total of 57,231 daily wages to date.



**Construction of Orito Agroindustrial Center, Putumayo**

### PILDAET and Raíz por Raíz infrastructure projects

During the reporting quarter, the PILDAET and Raíz por Raíz NGO operators completed 75 infrastructure projects in Putumayo, as shown in the Table below.

TYPE OF WORK	PROJECTS COMPLETED TOTAL	PROJECTS COMPLETED THIS QUARTER	UNIT OF MEASUREMENT	QUANTITY
Cabildo Headquarters	60	4	M <sup>2</sup>	7,021
Aqueducts	1	0	Families	15
Schools	31	2	M <sup>2</sup>	1,885
Road improvement	9	1	Km	17
Pedestrian bridges	1		M	52
Vehicular bridges	3	0	M	29.25
Elevated pathways	9	3	M	1,430
Sport fields and stadiums	10	2	M <sup>2</sup>	1,361
Aquaculture (Fish) ponds	5		M <sup>2</sup>	27,088
Pig production units	63	26	M <sup>2</sup>	12,394
Sugar Cane artisan mills (Trapiches)	8	1	M <sup>2</sup>	2,452
Rice mills	4	1	M <sup>2</sup>	542
Cattle corrals	4	2	M <sup>2</sup>	540
Community stores	3		M <sup>2</sup>	186
Health posts	2		M <sup>2</sup>	487
Sanitary units	3		M <sup>2</sup>	144
Productive infrastructure	66	33		
Community Indian home (Maloca) improvement	1		M <sup>2</sup>	208
<b>TOTAL (CUMULATIVE)</b>	<b>283</b>	<b>75</b>		

### **B2. Obstacles encountered and overcome**

- Extreme heat and rain continued to be a problem in Putumayo during the reporting period, delaying Gerpromayo outdoor construction activities in certain areas. In order to minimize delays, the contractor took corrective measures, such as extending the work day on days with less extreme heat.
- The security situation and problems with "public order" continued in Putumayo. The destruction of vehicular bridges by the guerrilla, and the fires caused by the explosions in the oil pipelines between Santa Ana and Orito restricted and delayed the passage of vehicles and material needed for the construction of the Agroindustrial Centers.
- Guerrilla checkpoints were frequent between Villagarzón and Puerto Caicedo, and the paramilitaries tried to pressure some Gerpromayo contractors in Villagarzón, fortunately without incidence. The problem was immediately discussed with the Governor of Putumayo. Two days later, 17 paramilitary members were arrested in Villagarzón.

### **B3. Activities planned for the next reporting period**

- Complete construction, legally constitute the enterprises and initiate operations of the Agroindustrial Centers in Orito and Villagarzón.

## C. Expanded Licit Economic Opportunities

### C1. Activities/significant accomplishments during the quarter

#### PILDAET and Raíz por Raíz Programs in Putumayo

PILDAET, *Raíz por Raíz*, large commodity and the *Bosques y Maderas* projects all registered important accomplishments during the reporting period, especially in regards to the number of licit hectares supported by the project. The number of hectares supported under the PILDAET program during this quarter amounted to 144, for a total of 8,165 hectares to date (cumulative). The number of additional hectares supported during the quarter under the *Bosques y Maderas* project was 540 (in plantations/agroforestry) and the large commodity projects registered 324 additional hectares supported during the quarter. The following Table shows progress indicators in regards to licit hectares supported by selected projects.

#### LICIT CROPS SUPPORTED THIS QUARTER

<b>Licit Crops Supported by project</b>	<b>PILDAET</b>	<b>RAÍZ POR RAÍZ</b>	<b>BOSQUES Y MADERAS</b>	<b>LARGE COMMODITY PROJECTS</b>	<b>OTHER</b>	<b>TOTAL</b>
Goal	8,400	2,900	11,670	7,231	2,183	<b>32,384</b>
Total, previous quarter	8,021	9,081	6,256	5,280	2,694	<b>31,332</b>
Progress, this quarter	144	53	540	324	0	<b>1,061</b>
<b>Total, Cumulative</b>	<b>8,165</b>	<b>9,134</b>	<b>6,796</b>	<b>5,604</b>	<b>2,694</b>	<b>32,393</b>

In February of the reporting period the PILDAET and *Raíz por Raíz* grants agreements were extended until June 30, 2004, to ensure efficient close out of all subprojects (administrative, financial and technical) and to further consolidate project activities in support of the Putumayo New Initiatives.

#### Agroindustrial Centers

Animal feed mill (Concentrados Putumayo SA): Fundaempresa began public meetings, hosted by the Putumayo Chamber of Commerce, to attract urban and small farmer investors. Events were held in Orito, Puerto Asís, Mocoa and Villagarzón, in total some 500 people attended, and many expressed their desire to invest. An important requirement for accepting investment in all USAID-funded agribusinesses is a spotless police record, so throughout the month potential investors were presenting the required documentation. After two weeks, some US\$53,000 has been pledged, which represents 13% of the target capitalization of US\$399,000.

Black pepper and plantain processing plant: Extensive negotiations began with five associations of black pepper producers. These farmers, all USAID/CAD beneficiaries will receive approximately US\$185 each in shares in the plant. Having understood that USAID has authorized a risk premium for additional capitalization, they have been analyzing with Fundaempresa, amounts and the relative convenience of investing as individuals or as associations.

Medicinal and aromatics crops and processing plant: All 50 families who will become the first generation of Putumayo medicinal and aromatics farmers have been selected, and each will plant all six varieties of crops starting in April, 2004.

Tropical flowers and foliage crops and processing center: The greenhouse has been installed and most of the participating families have been identified in Mocoa and Villagarzón.

Vanilla: Establishment of the nursery for growing out the in-vitro plant material initiated. Documentation for import of the in-vitro plant material initiated, and the training course in Costa Rica completed.

#### Large commodity projects

During the reporting period, the large commodity projects including rubber, cacao, heart of palm and African oil palm continued concentrating on the preparation of soils and on planting activities. Although these projects have already met the illicit crop eradication goals set out in the agreements, seven additional hectares were eradicated under the Caquetá Rubber project.

During the reporting period, 324 new hectares were planted and supported under the large commodity projects, accounting for 96 percent of programmed goals for the quarter.

Project	Department	Goal Quarter (ha.)	Progress Quarter (ha.)	Goal Contractual (ha.)	Progress Cumulative (ha.)	Percentage Progress
Rubber	Caquetá	85	199	1,500	966	64%
Rubber, pepper, woods	Putumayo	48	11	500	438	87%
Heart of Palm	Putumayo	0	0	1,070	703	65%
Cacao, plantain and wood association projects **	Norte de Santander	182		1,000	1,018	101%
African oil palm	Norte de Santander	20	114	1,000	1,017	101%
<b>Total</b>		<b>335</b>	<b>324</b>	<b>5,070</b>	<b>4,142</b>	

Other significant accomplishments under the large commodities projects include:

Palmito project – Putumayo: To date 643 hectares of palmito are established, or approximately 76 percent of the programmed goal of 850 hectares. The project's technical team coordinated the harvesting of 44,665 *chontaduro* shoots during the reporting period, and 128 technical assistance visits were provided to small-farmers throughout the project zone. To date, 330 families have benefited from the project.

Significant project accomplishments during the reporting period at the Puerto Asís heart of palm factory include:

- Production of 387 boxes of palmito during the quarter.
- The sale of a historical high 2,479 boxes in the amount of CP\$129 million (the 2003 monthly average was approximately 300 boxes).

A strategic sales and marketing plan continued during the quarter, resulting in an increase in total sales and number of buyers, particularly to supermarket chains. Important contacts abroad were also made during the quarter for the exportation of the product.

In March, the Colombian Minister of Foreign Trade visited the plant and promised to fast track assistance to Agroamazonía. Since the visit, he has formally designated a project officer for Agroamazonía and has begun work on a potential sales agreement with an interested buyer in Chile. The Board of Directors has begun to take a lead role in the restructuring of Agroamazonía, including the identification of local managerial and accounting personnel. End-of-year financial statements for the period 1997-2002 were finalized and reviewed by the *Revisora Fiscal*. This is important for project close-out: legalized financial statements are required for the company to be considered credit-worthy in financial lending institutions.

Rubber project – Caquetá: During the reporting period, 199 new rubber hectares were established, increasing this indicator to 966 hectares - 751 in agroforestry (goal was 750 hectares), 113 in monoculture (the goal was 750 hectares), and 102 hectares in the recuperation of old rubber plantations, out of a goal of 153 hectares. Eradication of seven hectares of illicit crops took place during the quarter, increasing this indicator to 903 hectares eradicated. A total of 445 families have benefited from the project to date.

Construction of the rubber pilot plant was nearly completed, and will be finished during the next reporting period. This plant is the only plant in Colombia that will manufacture granulated rubber.

Other accomplishments during the quarter include:

- The 15 Agrarian Transformation Societies (SATs) in charge of marketing products obtained under the project were legally registered and constituted. The goal of establishing 15 SATs was met.

- Purchase of 47.6 tons of dry rubber, for a total of 250.3 tons of dry rubber during the life of the project.
- Sale of 48.5 tons of dry rubber, for a total of 270.4 tons of rubber sold during the life of the project.
- Realization of 727 technical assistance visits to farms and plantations during the quarter. The goal for 2004 is 1,200 technical visits.
- Delivery of 188 scythes to attend to clean-up and weed control activities in lieu of herbicides.
- Realization of 16 "field days" which provided agroforestry and rubber cultivation training to 391 beneficiaries.
- Training on post-harvest management for 22 beneficiaries, agroforestry and bio-fertilizers for 24 beneficiaries and five association strengthening seminars for 178 participants.

Rubber project – Putumayo: During the reporting period, 11 hectares of rubber were established, bringing this indicator to 437.8 hectares, or 87 percent of the programmed project goal. To date, 255 families have benefited from the project. The Veracruz nursery located in Villagarzón continues to provide graft material and rubber seedlings for project beneficiaries, which are used to replace old trees and plant new ones. The goal of establishing 288,000 stumps has been completed to 108 percent, with 311,000 stumps being produced by the end of this quarter. The nursery has also generated 2,934 "jornales" in grafting and general maintenance activities.

Other important project accomplishments during the reporting period include:

- The reformulation of the project for 2004 calls for the establishment of 44 hectares of pepper, and five hectares were established during this first quarter.
- Realization of 254 technical assistance visits to project beneficiaries.
- Identification of 27 lots for new plantations.
- Carrying out of eight demonstrations of agronomic plantain management methods on 10 farmers' "fincas".
- Visit of five growers to Quindío for a technical "round" on the management and post-harvest care of plantain crops in which experiences and results were exchanged with other producers of the region.

Cacao project – Norte de Santander: During the reporting period 152.7 hectares of cacao and 34 hectares of trees were planted, intercropped with already existing plantain hectares. Progress to date includes a total of 1,018 hectares of plantain, or 102 percent of programmed goals; 779 hectares of Cacao, or 79 percent of programmed goals; and 993 hectares of lumber, or 99 percent of programmed goals. The total programmed goal of cacao trees to be planted in association with plantain and trees is 1,000 hectares. Families benefited from the project to date total 431 families.



Other important project accomplishments during the reporting period include:

- Implementation of 20 training seminars on management and renovation of cacao crops, with the participation of 484 farmers.
- Carrying out of two institutional strengthening seminars to the Asociación Gremial de Cacaocultores (Asocati) focused on 60 beneficiaries interested in understanding the organization and management of the association.
- Realization of 591 technical visits to farmers in support of soil preparation, planting, fertilization and management of cacao and plantain farming activities
- Sale of 230.5 tons of plantain (*fhia* variety) and banana, for a value of COLP\$66 million, increasing this indicator to 544.6 tons, totaling COLP\$139.5million.
- Marketing of 19.9 tons of cacao for an accumulated total of 39.5 tons and a value of CP \$159.2 million.
- Installation of a cacao grain drying machine for the Pachelly zone (equipment and financing provided by the municipal government), with a capacity of 1,500 kilos per day, which will enable Asocati to market a better quality grain.
- Meeting of the Asocati General Assembly, with the participation of 204 beneficiaries, and the naming of a new Board of Directors.

African Palm Project – Norte de Santander: During the reporting period 114 hectares of African Palm were established, for a cumulative total of 1,017 hectares (out a goal of 1,000 hectares). The nursery established by Hacienda las Flores has produced 145,435 plants in two years, which will enable the planting of 1,030 hectares of African Palm.

Other important project accomplishments during the reporting period include:

- Realization of 497 technical assistance visits to farmers.
- Implementation of two training workshops on management of plagues and diseases for 67 beneficiaries.
- Carrying out of five seminars on the maintenance and safe use of scythes for 81 farmers. Furthermore, the SENA (Servicio Nacional de Aprendizaje) held nine additional seminars on the maintenance and use of the scythes for 224 participants.
- Visit of 29 women farmers to the “Eje Cafetero” and to the department of Meta to visit African Palm plantations of UNIPALMA and ASOPALMA and to share experiences and results with other growers,

Projects in the Macizo Colombiano (Tolima, Huila, Cauca and Nariño)

Patía Valley Project: After extensive agroecological and hydric analyses, the exact communities where the Patía River Valley project will be located have been identified, and the socialization has begun with the project’s beneficiaries. A survey of the 15 locations was carried out with each of the beneficiary families, and found communities that are ready to make the change from illicit to licit productive activities. The planning for the construction of the small-scale irrigation systems in the communities that have been deemed technically sound to host the project has begun. CAD has also been working with

the selected communities and with the local governments of Balboa and Patía in the formulation of the project, ensuring that both productive and social issues are addressed from the beginning of the project.

A demonstration farm in La Java has been established, on the grounds of the *Colegio Agropecuario del Bordo*, to train project beneficiaries on the crops that will be planted and on the irrigation systems that are being installed. Project beneficiaries will be taught by students and teachers from the *Colegio*, and will focus on the management of crops such as melon, papaya, mango, tomato, onion, peppers and passion fruit.

Maracuyá (passion fruit) Project – Huila: As continued support to FUNDAMAR and the passion fruit producers, the organization CORDESARROLLO carried out a comprehensive census and visited all of the 356 maracuyá farmers. The purpose of the activity was to directly determine the value and state of each crop, and to gauge growers' perspective on the evolution and satisfaction with the project, their relationship with project partners (FUNDAMAR, FUNDASET, FINAGRO, etc.) as well as to evaluate the use of their bank credits. Results of this activity will be presented during the next reporting period, and will help determine future activities under this project.

## **C2. Obstacles encountered and overcome**

### **Agroindustrial Centers**

- The formal constitution of the first agribusiness (*Concentrados Putumayo S.A*) required extensive legal research and collaborative actions with new mayors and their legal advisors. CAD hired an attorney to lead the process and to provide legal assistance in the creation of the enterprises.
- Little or no coordination between local mayors and the newly elected governor, due in part to political differences. CAD has brought all parties together with the common goal of getting the Agroindustrial Centers operational, and ensuring that local governments and the department's governor are kept fully informed.
- Questions as to how USAID contributions could be used as initial capitalization of the agribusinesses. The USAID/Colombia Contracting Officer authorized use of the USAID contribution as part of initial capitalization of agribusiness to be distributed to farmers producing licit crops through earlier USAID assistance and as a risk premium to private sector investors.

Maracuyá (passion fruit) Project – Huila: The Maracuyá Project in Huila continued to face problems during the quarter, and PDA, USAID, CAD, FINAGRO, Banco Agrario and the Bolsa Nacional Agropecuaria continued to look for ways to ensure the least amount of damage to the passion fruit growers and to look for the most beneficial exit strategy. During the next quarter, these organizations will continue to work with FUNDAMAR in analyzing the state of individual maracuyá crops, and working with individual growers in finding solutions to the problems that have arisen in the project. This continues to be a problem project.

Patía Valley Project: There is increased pressure in the communities from armed groups for the farmers to plant coca, but the socialization work carried out under CAD and FUNDASET, as well as community and local leaders, is helping communities realize that the future of their communities lies in licit, economically viable and sustainable projects.

Rubber Project – Caquetá: The principal obstacle affecting this project continues to be the poor condition of the Valparaiso-Solita road that precludes transportation of supplies and vegetable material to farmers. Project activities are being shifted to areas offering better transportation facilities and less guerrilla risks. Recent fumigations in the area have affected some rubber crops, and the full extent of the damage is being currently calculated.

Rubber Project – Putumayo: ASOCAP continues to face financial and technical barriers to the marketing of the plantain. Help has been requested from Fedeplátano and three Sociedades Agrarias de Transformación (SATs) will be established to help with this problem. Futuro Ambiental, the NGO operator, continues to experience delays in the planting of pepper and trees due in part to the lack of planting material. The planting schedule will be accelerated during the coming quarters, and other sources of material are being identified.

Cocoa Project – Norte de Santander: Delays in the delivery of cloned material from the cocoa supplier continued to be a problem during the reporting period. The project has begun purchasing material from other suppliers from the cocoa growing region of San Vicente, Santander.

African Palm Project – Norte de Santander: Although the project goal of establishing 1,000 hectares of African Palm was met during the last quarter, there are enough surplus plants from the Zulia nursery to plant additional hectares. During the next quarter these plants will be transferred from the nursery, possibly resulting in an additional 38 hectares planted.

Palmito project – Putumayo: Delays in planting additional hectares of hearts of palm have resulted in the project not meeting its planting goal of 850 hectares. Seedlings are already available in project beneficiaries' farms, ready for planting, and the planting schedule will be accelerated during the next quarter. Special emphasis will continue to be placed on the sale of existing inventory, and the identification of new markets.

### **C3. Activities planned for the next reporting period**

#### **Agroindustrial Centers**

Activities to be implemented during the next quarter include:

- Continued public and private meetings with potential investors for *Concentrados S.A.* and commencement of public meetings to attract investors for the black pepper processing plant.
- Commercial operations will begin in *Concentrados S.A.* and the black pepper processing plant in May, and in June in the processing plant for medicinal and

aromatics. The black pepper/plantain agribusiness will be formally constituted. All three plants will be inaugurated during the next quarter.

- The Villagarzón Forestry Service Center will be completed, commercial operation will commence, and the facility will be inaugurated.
- Medicinal and aromatic planting will begin in Putumayo.
- Training in topical flower and foliage cropping will begin.
- Continued coordination meetings of governor, mayors, and CAD (including formalization of executive committee).
- Continuation of in-vitro growing of vanilla in nursery.

Rubber Project – Caquetá (Asoheca): The project operator will accelerate the planting of rubber in order to achieve the project's goal of 750 hectares. The purchase of additional equipment needed for the full operation of the rubber plant will also be accelerated during the next reporting period.

Palmito project – Putumayo (Agroamazonia): The aggressive sales and marketing plan will continue throughout the next quarter, and will look to increase sales in Cali, Medellín and Bogotá. Important international contacts will be followed-up with the possibility of opening up exports to international buyers. A potential international buyer is expected to visit the Agroamazonía processing plant, and a formal offer will be made to the potential buyer in Chile. Capitalization with USAID funds, including the vesting of shares in CAD hearts of palm producers will be approved by the General Assembly and by at least 25 percent complete by the end of the next quarter. Financial statements for the years 1997 through 2002 will be approved by the Agroamazonía General Assembly.

Rubber Project– Putumayo (Futuro Ambiental): The planting schedule will be accelerated during the coming quarters, and other sources of material are being explored in order to meet the goals of 166 hectares of rubber/pepper and the 40 hectares of pepper.

Cocoa Project - Norte de Santander (Fundescat): In order to reach the 1,000 hectares of cacao under the contract, the project operator will give priority to buying cloned cocoa from San Vicente, Santander. The project operator has also begun an action plan for the handing over of the project to Asocati, an organization representing the cacao producers of Tibú, Norte de Santander.

Patía Valley Project: The eradication of 264 hectares illicit crops will take place during the next quarter, which will allow the installation of the fruit and legume crops, as well as the small-scale irrigation systems.

Maracuyá (passion fruit) Project – Huila: Once the CORDESARROLLO information has been fully analyzed, steps will be taken to determine how USAID and CAD will continue to support activities with the maracuyá growers.

## **D. Natural Resources and Environment**

### **D1. Activities/significant accomplishments during the quarter**

- The Bosques y Maderas program contributed 540 hectares to the Licit Hectares Supported indicator during the reporting period, with forest plantation and sustainable forest management activities.
- Approval by USAID of the Alto Mecaya Forestry Project, Putumayo and the initiation of low impact forest activities in the area and the training of beneficiaries in the sustainable management of the forest.
- Submittal to USAID of the Cauca Forestry Management Plan for pine plantations belonging to the Paéz and Guambiano Indian communities.
- Construction nearly completed of the concrete base for the machinery and equipment that will be installed in the Forestry Service Centers in Putumayo and Cauca.
- Distribution of more than 20 technical studies of the 37 wood species from Putumayo, analyzed by the Universidad Nacional de Medellín, to important potential domestic and international buyers.
- Approval by AID Washington of five out of seven Environmental Review Files.
- Submittal to USAID of the Environmental Review File for the Forestry Service Centers in Villagarzón, Putumayo and Silvia, Cauca.
- Carrying out of two seminars for CAD technical employees on the "Toxicological Risks in the Use of Phytosanitary Products", presented by Bayer CropScience.
- Training on the "Safe and Effective Use of Phytosanitary Products" for Asoheca, project beneficiaries, as well as members Corpoica and Uniamazonía, in Florencia Caquetá, attended by 15 people.

#### Environmental Compliance:

The Environmental Evaluations for the following projects were approved by USAID during the quarter:

- Cassava, Cauca.
- Hearts of Palm, Putumayo.
- African Palm, Norte de Santander.
- Rubber, Putumayo and Caquetá.
- "Agrosilvopastoril", Anamichú, Tolima.

The Environmental Review Files (*Fichas de Revisión Ambiental*) were presented and approved by USAID during the quarter for the following projects:

- Alto Mecaya Forestry Project, Putumayo.
- Vanilla, Mocoa, Villagarzón, Puerto Asís and Orito, Putumayo.
- Forestry Service Center, Villagarzón, Putumayo.

- In addition, 31 Environmental Review Files were approved for the same number of projects under the PILDAET program.

PERSUAP: CAD received approval from USAID BEO (Bureau Environmental Officer) for Phases I and II of the Pesticide Evaluation Reports and Safe Use Action Plan (PERSUAP) for CAD projects. These approvals complete the analysis of the pesticides for all crops currently financed by USAID through the CAD program, and bring these projects into compliance with USAID's Regulation 216.

### **Bosques y Maderas Program (Forest and Wood Products), CONIF (National Research and Forestry Development Corporation)**

Accomplishments during the reporting period are as follows:

Natural Forest management and Forest Management Plans: The Forestry Management Plan for the Forestry Service Center in Cauca has been submitted to USAID, covering 1,080 hectares that will provide the wood for the Forestry Service Center.



PAZFOR: During the quarter, 13,603 PAZFOR (payment for forestry services) day-wages were paid under the project for the establishment and maintenance of plantations, totaling CP\$244 million. Total PAZFOR wages to date are 103,343 totaling CP\$1.748 million.

Establishment and strengthening of plantations: During the reporting period, 540 new hectares were established, increasing this indicator to 2,699 hectares.

**Primary Transformation, Alto Mecaya, Putumayo.**

Other accomplishments under the technical program component include:

- Interpretation of aerial photographs to determine the location of a possible second Forestry Management Unit (*Unidad de Manejo Forestal*).
- CONIF continues working on the legal definitions and property issues related to the Forestry Service Center in Cauca, and has instituted weekly meetings with indigenous leaders and governors representing the project's beneficiaries. These meetings are being led by regional experts in the formation of cooperatives and working with indigenous groups.
- The socialization of the FSC in Cauca continues, and community labor (*mingas*) has begun in the preparation of 462 hectares of plantations.

## **D2. Obstacles encountered and overcome**

Security: The destruction of the bridge between Mocoa and Pitalito, Putumayo, by armed insurgents delayed the delivery of machinery to the Forestry Service Center in Villagarzón, resulting in a reprogramming of the installation of the machinery.

Precarious security situations impeded the technical visits to qualify and quantify forests in some parts of Putumayo. In spite of intense heat in Cauca, planting material is ready and the soils have been prepared for planting in expectation of the April rains.

## **D3. Activities planned for the next reporting period**

Activities during the next reporting period include:

- Obtain approval from USAID for the Forestry Management Plan for pine plantations belonging to the Paéz and Guambiano Indian communities.
- Obtain approval from USAID for the Environmental Review File for the FSC in Cauca.
- Begin the dissemination of the various types of wood (and prices) of the wood that will come out of the FSCs to potential buyers, and initiate the sale of wood coming out of the two Forestry Service Centers.
- Construct and begin operations of the Totumo Service Center in Patía, Cauca. To date, 12 decorative totumo products (with technical specifications) have been designed for possible manufacturing and commercialization by project beneficiaries.
- Initiate the environmental monitoring activities of those actions stipulated in the Environmental Management Plans for all CAD projects.
- Continue with the 2004 training plan for the Pesticide Evaluation Reports and Safe Use Action Plan (PERSUAP) for CAD projects. Train New Initiative operators on PERSUAPs.

## **E. Monitoring and Evaluation**

### **E1. Activities/significant accomplishments during the quarter**

SIMONE Information System: During the reporting period, two new modules were added to the Monitoring and Evaluation System, and a training seminar on the use of the modules was carried out for the NGO operators. The first, the Empresarial Module, was added to track the progress of the New Initiatives in Putumayo. This module tracks management, social, technical assistance and training indicators, as well as the financial progress of the New Initiatives. The second, the Environmental Module, tracks the evolution of the projects in term of environmental compliance and recommendations.

Putumayo Social Capital Survey: During the quarter, CAD finished the analysis of the Putumayo Social Capital Survey, in which 1,672 households (1,409 CAD families, 263

non-CAD families) were surveyed on the changes in their lives as they move towards a licit economy. The Survey results, which will be distributed in final form during the beginning of the next quarter, provide interesting findings on the effects that the USAID sponsored programs have had on the lives of Putumayo's citizens, particularly in:

- Organizations and networks
- Confidence and solidarity
- Collective action and cooperation
- Information and communication
- Social cohesion and inclusion
- Conflict and violence, and
- Empowerment and political action.

In summary, the effects of the USAID sponsored CAD program in Putumayo has had a tremendous impact in the building of social capital, transforming a Perverse Social Capital during the coca boom to a Productive Social Capital, leading the department towards a sustainable, licit economy. CAD helped in this effort by supporting a management model that enabled the operating NGOs to strengthen community organizations and generate a process of economic re-conversion.

CAD Program Appreciation Survey: Analysis was also finished on the separate CAD Appreciation Survey, which gauged beneficiaries' satisfaction with the support provided under the CAD program. Results indicate a high degree of satisfaction with the CAD program and with the technical support provided by the operating NGOs. The results also indicate a radical change from an illicit to licit economy during the time that CAD program has operated in the region. Whereas 92 percent of those polled relied on the illicit economy for their livelihood three years ago, only 4.76 percent of those polled have currently anything to do with coca cultivation. Final results of this report will be distributed during the next quarter.

Monthly Report: CAD continued delivering the "Monthly Report" to USAID, PDA and project operators. This report includes information on project performance indicator progress, CAD financial information and analysis of the status of each project, with emphasis on value of sales, private sector participation and use of credit by the projects.

## **E2. Obstacles encountered and overcome**

- SIMONE system: While the quality of feed back information reported by project operators through the SIMONE system has significantly increased during the reporting period, some inconsistencies still persist. This includes incomplete information, failure in feeding data on indicators and activities, mistakes in digitalizing information, etc. This problem is being solved by carrying out one-on-one personal evaluations with NGO managers and adjusting information, as necessary.



**E3. Activities planned for the next reporting period**

- Final reports on the Putumayo Social Capital Survey, the CAD Program Appreciation Survey and the Infrastructure Survey will be finalized and distributed.
- Information in the SIMONE system will be classified by gender and ethnicity.
- Information in the SIMONE system will be updated to include licit hectares supported with resources of the beneficiary families. To date, only hectares supported with USAID funds have been included in the system.
- The SIMONE system manuals used by the operating NGOs will be updated to include the two new modules.
- Efforts will continue within CAD staff and project operators to fully institutionalize the SIMONE system, making it the only official source of information on projects' indicators and data.

## **SECTION V. Program Management and Support Activities**

### **A. Key constraints and concerns**

#### **A1. Security Situation**

The security situation remains the same as reported previously. The departments where CAD works continue to be areas of high danger. While CAD still considers that the NGOs and operators that work with the program, as organizations, are not considered “military objectives” at this time, the project maintains a high level of alert and closely monitors the security situations in project areas. Specifically, the security situation was difficult in December, with an increase in attacks on the petroleum pipeline and skirmishes among the FARC, AUC and military.

In general and with precautions, the staff of the NGOs and Chemonics continues to be able to visit sub-project field sites in Putumayo, but the unstable security situation requires the highest level of vigilance. The situation in Northern Santander continues to deteriorate in the past months, a situation that will continue to be closely monitored by CAD.

Because of the growing security concerns in urban areas, and particularly with the increase of guerrilla activity in Bogotá, CAD management hired a part-time security expert to work with staff, conducting a series of security seminars aimed at making the CAD workplace safer. Specific topics have included security training for the project’s office receptionists (identifying possibly dangerous mail, identification and ways to respond to threatening phone calls, monitoring of guest coming in and out of the office, etc), personal safety for employees, and bomb and fire drills in conjunction with our building’s security supervisor. These seminars will continue on an as-needed basis.

### **B. New CAD personnel this Quarter**

None to report this period.

### **C. Contract modifications, amendments and reporting**

During this reporting period, USAID signed modification No. 15 to the contract, approving shifts within line items in order to better reflect actual costs and budget projections per the 2003 Work Plan, and incorporating 180.79 additional Level of effort (LOE) days, at no additional cost to the contract.

## **SECTION VI. Grants Management**

### **A. Grants**

#### **A1. Activities/significant accomplishments during the quarter**

##### **1. Grant awards during the reporting period:**

The following projects/grant agreements were selected, negotiated and awarded during the reporting period:

- Grant Agreement No. CAD-062-03-1, Project “Establishment and Maintenance of 300 Hectares of Vanilla Planifolia Andrews in Putumayo” awarded to Huairasachac.
- Grant Agreement No CAD-065-03-1, Project “Departmental Training Workshop for the Citizens of the Afrocolombian Communities in the Development Plans of the Municipality of Putumayo.

#### **A2. Obstacles encountered and overcome**

None to report this quarter

#### **A3. Activities planned for the next reporting period**

- External audits will be contracted during the next reporting period for grants exceeding US\$500,000 and which have already expired, as well as for those grants whose yearly disbursements exceeded \$300,000.
- Investor “round-tables” will be held during the next quarter for the black pepper, medicinals and flowers and foliages projects.

#### **A4. Training during the quarter, and explanation of activities**

None to report during the reporting period.

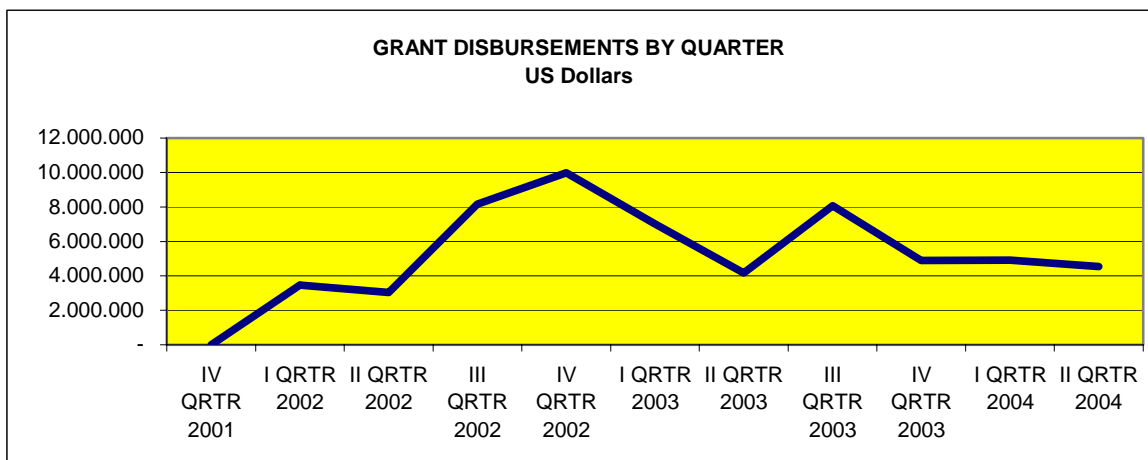
#### **A5. Request for Proposals**

During the reporting period Requests for Proposals (RFPs) were let for the “Establishment of one or more enterprises for the sacrificing and marketing of pigs”, as well as one for the “Establishment of one or more enterprises for the sacrificing and marketing of chickens” to be located in Putumayo. Two grants will be awarded under each RFP during the next quarter.

## B. Grant Disbursements

### B1. Grant Disbursements by Quarter

The rate of disbursements during this quarter has maintained, as productive projects have disbursed a large portion of sub-project funding, and the New Initiatives have just begun.



CAD disbursements to grantees and contractors for field implementation activities during the quarter were \$4.551 million. Total Grant disbursements, for grantees and contractors only, at the end of the quarter are \$58.298 million.

### B2. Disbursements (Dollars)

The major contributor to this continued advance was in Intermediate Result 3 (IR-3). It is expected that this intermediate result will continue to be the major investment line considering that the project has now surpassed the manual eradication and family goals, and will honor the commitment to alternative crops and economic activities. As disbursements for the New Initiatives in Putumayo come on-line, a disbursement increase under IR3 Productive activities will be reflected during the next quarter.

DISBURSEMENTS	Quarter Jan – Mar 2004	Cumulative to 31-Mar-04
IR1 Institutional Strengthening	\$18,864.24	\$1,736,958.76
IR2 Infrastructure	\$370,988.16	\$6,687,547.40
IR3 Productive	\$2,597,708.82	\$43,027,254.05
IR4 Natural Resources Management	\$1,563,351.54	\$6,846,185.78
<b>Total</b>	<b>\$4,550,912.76</b>	<b>\$58,297,946.00</b>

## SECTION VII. Financial Information

### A. Contract Expenditures by CLIN

Contract Expenditures to Date	Contract Total	Total Expenditures through December 2004	Total Expenditures January March 2004	Balance Remaining
<b>Invoiced to USAID</b>				
<b>CLIN 01</b>	\$174,087.09	\$160,517.17	\$735.24	\$12,834.69
<b>CLIN 02</b>	\$454,110.24	\$346,959.73	\$16,163.07	\$90,987.44
<b>CLIN 03</b>	\$4,404,956.36	\$3,395,204.67	\$206,844.47	\$802,907.22
<b>CLIN 04</b>	\$1,412,846.29	\$726,262.33	\$65,753.39	\$620,830.57
<b>CLIN 05</b>	\$12,879,231.98	\$7,561,651.49	\$743,971.87	\$4,573,608.62
<b>SubTotal</b>	<b>\$19,325,231.97</b>	<b>\$12,190,595.39</b>	<b>\$1,033,468.05</b>	<b>\$6,101,168.53</b>
<b>Drawn down from FLOC</b>				
<b>CLIN 01</b>	\$2,042,839.52	\$1,719,700.17	\$17,258.59	\$305,880.76
<b>CLIN 02</b>	\$8,812,067.18	\$6,317,247.07	\$370,300.34	\$2,124,519.77
<b>CLIN 03</b>	\$48,642,243.16	\$40,430,169.97	\$2,599,761.23	\$5,612,311.96
<b>CLIN 04</b>	\$8,524,224.35	\$5,283,105.58	\$1,563,080.19	\$1,678,038.58
<b>CLIN 05</b>	\$0.00	\$0.00	\$0.00	\$0.00
<b>SubTotal</b>	<b>\$68,021,374.21</b>	<b>\$53,750,222.79</b>	<b>\$4,550,400.34</b>	<b>\$9,720,751.08</b>
<b>GRAND TOTAL</b>	<b>\$87,346,606.18</b>	<b>\$65,940,818.18</b>	<b>\$5,583,868.39</b>	<b>\$15,821,919.61</b>

### B. Differences between disbursements and FLOC draw-downs

Advances received through the Federal Letter of Credit must be logged in and accounted for within Chemonics' accounting system at the time the money is received. These advances are reported against the CLINs on a monthly basis and a summary of spending to date is sent to USAID Bogotá along with the monthly invoice. Each month the advances received from the FLOC are allocated across the four CLINs based on disbursements made during the month. However, since not all grant disbursements are completed in the month the money is requested from USAID (for example money is requested and received at the end of the month and therefore some might remain on the 31st) there may be differences between the official financial reports generated by the Chemonics home office (which report the advances when they are received) and the disbursement report. The portion of the advance received that has not been disbursed by the end of the month is allocated to CLIN 3 and is reallocated at the end of the following month based on that month's disbursements.

The purpose the table below is to show where the differences are between the disbursements reported in this quarterly report, as well as to HHS, and the advances (draw downs) Chemonics receives and reports in the quarterly financial report above. As you will note from the chart, there was a \$271.35 difference between what had been drawn down

from the FLOC and what had been disbursed to the grantees. This has been allocated to the appropriate lines; this quarter \$108.87 is pending for allocation during the next quarter and has been booked to CLIN 3

**C. Allocation of FLOC drawn downs by CLIN**

**January-March 2003**

	<b>Disbursements</b>	<b>FLOC draw down</b>
<b>CLIN 1</b>	\$18,864.24	\$17,258.59
<b>CLIN 2</b>	\$370,988.16	\$370,300.34
<b>CLIN 3</b>	\$2,597,708.82	\$2,599,761.23
<b>CLIN 4</b>	\$1,563,351.54	\$1,563,080.19
<b>Pending allocation (booked to CLIN 3)</b>	\$108.87	\$0.00
<b>Amount pending allocation in last report (Was booked to CLIN 3 and has now been allocated above)</b>	-\$621.29	\$0.00
<b>Total</b>	<b>\$4,550,400.34</b>	<b>\$4,550,400.34</b>